

Mayor's Message  
March 2008

Murray City Power Update

Recently, there have been several articles and editorials in local papers regarding the future of the power industry in Utah. As such, I thought it was time for an update of our own Murray City Power. As I am frequently asked about the future possibility of providing power to the area above 900 East in our City, I will discuss that also.

Most of the articles in the local papers focused on future energy demands in Utah and how they are going to be met. The largest source of power in Utah is coal generation with hydro playing a significant role also. Small hydro power comes from the small water tributaries in the state and the large hydro from Flaming Gorge Dam and Glen Canyon Dam. The latter two resources are part of the Colorado River Storage Project (CRSP).

CRSP has played a major role as a primary resource for Murray Power for several decades. The federal government, through the Bureau of Reclamation, is responsible for the pricing of this resource. The last few years, we have seen an increase in the cost of this resource. This year we are looking at another increase of 14-15%.

Our contract with Idaho Power has also expired. This was an excellent resource providing primarily hydro power and very reasonably priced. With the expiration of this contract, we have gone to our second lowest cost available resource, which is coal power from IPP (Intermountain Power Project) in Delta. The cost difference will be over \$900,000 more per year.

With these two resources either going up or expiring, we must look at adjusting our costs to insure our Power Department's financial stability. We recently commissioned a focus group asking questions regarding what was most important to both our commercial and residential customers. The majority of the participants indicated the most important factor was "reliability". We regularly conduct evaluations on the cost of our power resources and how they impact our ability to provide reliable power. Having the necessary funds to upgrade and maintain our system and grids allows us to best serve our residents and provide constant power.

Rocky Mountain Power is faced with the same challenge and have recently asked the PSC (Public Service Commission) for an 11.5% rate increase. Lower priced coal power has recently been challenged because of its carbon emissions. Resources that would replace coal, whether it is natural gas, solar, wind or geothermal, would be more expensive.

Regarding the east portion of our City - not currently serviced by Murray Power - we are looking at two factors impacting our ability to provide service to this area. First, an appraisal of the current infrastructure will be required. This will necessitate study time and funding to come up with a fair market value. An agreement with Rocky Mountain Power will also need to be negotiated. The other factor will be the site of a sub-station. This may be difficult. We find that people like the pricing and city ownership that municipal power affords, but not the visual

location of sub-stations. Nevertheless, we will continue to explore the opportunities to provide power to all our residents.

For these reasons, particularly to remain a reliable power provider, I feel it would be prudent for us to consider a modest increase in the rates charged to both our commercial and residential customers by Murray City Power. Like us, many of the power providing communities in the state are presently undergoing rate modifications. Within the next few months more information will be offered to our customers.

If you have any questions, please feel free to contact me for further discussion on this important subject at 264-2600.